



DRAFT 2007-TDx-14: Amend Work Opportunity Tax Credit

BILL ANALYSIS

Committee:	Revenue Laws Study Committee	Date:	April 30, 2008
Introduced by:	.	Summary by:	Heather Fennell
Version:	2007-TDx-13		Committee Counsel

SUMMARY: *This bill limits the Work Opportunity Tax Credit to 6% of the Federal credit for wages paid in the same taxable year for positions located in North Carolina.*

CURRENT LAW:

The Federal Work Opportunity Tax Credit (WOTC) provides a credit to employers that hire individuals in certain targeted groups. The nine targeted groups are:

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| A. Qualified recipients of Temporary Assistance to Needy Families (TANF). | E. Vocational rehabilitation referrals. |
| B. Qualified veterans. | F. Qualified summer youth. |
| C. Qualified ex-felons. | G. Qualified food stamp recipients. |
| D. Designated Community Residents. | H. Qualified recipients of SSI. |
| | I. Long-term family assistance recipients. |

The credit based on a percentage of wages paid and limited by dollar amount. The limits vary by group.

For all groups except for veterans, summer youth and long-term family assistance recipients the credit is limited to 40% of qualified first year wages up to \$6,000 for individuals retained for at least 400 hours, maximum credit of \$2,400 per employee, and 25% of qualified first year wages up to \$6,000 for individuals retained for at least 120 but less than 400 hours, maximum credit of \$1,500 per employee.

For veterans the credit is limited to 40% of qualified first year wages up to \$12,000 for individuals retained for at least 400 hours, maximum credit of \$4,800 per employee, and 25% of qualified first year wages up to \$6,000 for individuals retained for at least 120 but less than 400 hours, maximum credit of \$3,000 per employee

For summer youth the credit is limited to \$1,200 per employee.

For long-term family assistance recipients the credit is limited to 40% of qualified first year wages up to \$10,000, and 50% of qualified second year wages up to \$10,000 for individuals retained for at least 400 hours, maximum credit of \$9,000 per employee.

The North Carolina Credit: Section 31.21 of the 2007 Appropriations Act created a North Carolina tax credit equal to 6% of the Federal credit. The taxpayer must elect whether to take the credit against the franchise or the income tax, the credit may not exceed 50% of the tax against which the credit is claimed, and the credit may be carried forward for five years.

BILL ANALYSIS: This bill would limit the credit to 6% of the Federal credit for wages paid in the same taxable year for positions located in North Carolina. The bill also adds a sunset on the credit for taxable years beginning on or after January 1, 2012. The bill also makes a technical correction to clarify that corporations cannot take an additional deduction under G.S. 105-130.5(b)(11) if this credit is taken.

EFFECTIVE DATE: Section 1 of this bill is effective for taxable years beginning on or after January 1, 2008. The remainder of the bill is effective when it becomes law.